

116TH CONGRESS  
1ST SESSION

# H. R. 4017

To amend the Internal Revenue Code of 1986 to establish Lifelong Learning and Training Account programs.

IN THE HOUSE OF REPRESENTATIVES

JULY 25, 2019

Ms. DELBENE (for herself and Ms. SEWELL of Alabama) introduced the following bill; which was referred to the Committee on Ways and Means

# A BILL

To amend the Internal Revenue Code of 1986 to establish Lifelong Learning and Training Account programs.

1       *Be it enacted by the Senate and House of Representa-*  
2       *tives of the United States of America in Congress assembled,*

### 3 SECTION 1. SHORT TITLE.

4 This Act may be cited as the “Lifelong Learning and  
5 Training Account Act of 2019”.

## 6 SEC. 2. LIFELONG LEARNING AND TRAINING ACCOUNT 7 PROGRAMS

8 (a) IN GENERAL.—Part VIII of subchapter F of  
9 chapter 1 of the Internal Revenue Code of 1986 is amend-  
10 ed by inserting after section 530 the following new section:

1   **“SEC. 531. LIFELONG LEARNING AND TRAINING ACCOUNT**2                   **PROGRAMS.**

3       “(a) IN GENERAL.—A Lifelong Learning and Train-  
4   ing Account program shall be exempt from taxation under  
5   this subtitle. Notwithstanding the preceding sentence,  
6   such program shall be subject to the taxes imposed by sec-  
7   tion 511.

8       “(b) LIFELONG LEARNING AND TRAINING ACCOUNT  
9   PROGRAM.—For purposes of this section—

10           “(1) IN GENERAL.—The term ‘Lifelong Learn-  
11   ing and Training Account program’ means a pro-  
12   gram established and maintained by a State or  
13   agency or instrumentality thereof—

14           “(A) under which the designated bene-  
15   ficiary of the account or their employer may  
16   make contributions to an account which is es-  
17   tablished for the purpose of meeting the quali-  
18   fied training expenditures of such beneficiary,  
19   and

20           “(B) which meets the other requirements  
21   of this section.

22           “(2) QUALIFIED TRUST.—Except to the extent  
23   provided in regulations, a program shall not be  
24   treated as a Lifelong Learning and Training Ac-  
25   count program unless such program provides that  
26   amounts are held in a qualified trust and such pro-

1       gram has received a ruling or determination by the  
2       Secretary that such program meets the applicable  
3       requirements for a Lifelong Learning and Training  
4       Account program. For purposes of the preceding  
5       sentence, the term ‘qualified trust’ means a trust  
6       which is created or organized in the United States  
7       for the exclusive benefit of designated beneficiaries  
8       and with respect to which the requirements of para-  
9       graphs (2) and (5) of section 408(a) are met.

10       “(3) REQUIREMENTS.—

11           “(A) IN GENERAL.—A program shall not  
12       be treated as a Lifelong Learning and Training  
13       Account program unless it provides—

14           “(i) that contributions may only be  
15       made in cash,

16           “(ii) separate accounting for each des-  
17       ignated beneficiary,

18           “(iii) that no interest in the program  
19       or any portion thereof may be used as se-  
20       curity for a loan,

21           “(iv) that no contributions may be  
22       made on behalf of a designated bene-  
23       ficiary—

24           “(I) in excess of \$2,000 during  
25       any calendar year,

1                         “(II) if the total amount in the  
2                         account of such beneficiary is in ex-  
3                         cess of \$15,000, or

4                         “(III) during any calendar year  
5                         which begins after such beneficiary at-  
6                         tains 57 years of age,

7                         “(v) that any distribution shall be  
8                         made in accordance with the requirements  
9                         under subparagraphs (B) and (C), and

10                         “(vi) that required distributions shall  
11                         be made in accordance with paragraph (6).

12                         “(B) METHOD OF DISTRIBUTION.—

13                         “(i) IN GENERAL.—For purposes of  
14                         any distribution from the account of a des-  
15                         ignated beneficiary under a Lifelong  
16                         Learning and Training Account program—

17                         “(I) the applicable amount of  
18                         such distribution shall be drawn from  
19                         amounts transferred to the account of  
20                         the designated beneficiary pursuant to  
21                         paragraph (4) and any earnings there-  
22                         on, and

23                         “(II) after application of sub-  
24                         clause (I), the remainder of such dis-  
25                         tribution shall be drawn from

1 amounts contributed by the des-  
2 ignated beneficiary or their employer  
3 and any earnings thereon.

20                             “(C) REPORTING.—For purposes of any  
21                             distribution from the account of a designated  
22                             beneficiary under a Lifelong Learning and  
23                             Training Account program, the administrator  
24                             shall provide the beneficiary and the Secretary

1 with such information as the Secretary deems  
2 appropriate, including—

3 “(i) the amount of such distribution,  
4 including the applicable amount of such  
5 distribution (as described in subparagraph  
6 (B)(ii)), and

7 “(ii) whether such distribution was  
8 provided—

9 “(I) directly to the program de-  
10 scribed in clauses (i) through (iii) of  
11 subsection (e)(5)(A) which provides  
12 training to the beneficiary, or

13 “(II) to reimburse the beneficiary  
14 for any qualified training expenditures  
15 incurred by such beneficiary.

16 “(4) MATCHING FUNDS.—

17 “(A) TRANSFER TO BENEFICIARY AC-  
18 COUNT.—

19 “(i) IN GENERAL.—Out of any mon-  
20 eys in the Treasury not otherwise appro-  
21 priated, the Secretary shall transfer to the  
22 account of any designated beneficiary  
23 under a Lifelong Learning and Training  
24 Account program an amount equal to any  
25 amounts contributed to such account by

such beneficiary or their employer which occur during any calendar year which begins after the date on which such beneficiary attains 24 years of age.

13                   “(B) DEPOSIT OF MATCHING FUNDS.—  
14                   Any amounts required to be transferred to the  
15                   account of a designated beneficiary under sub-  
16                   paragraph (A) shall be transferred by the Sec-  
17                   retary as soon as is practicable following any  
18                   contribution to such account by such bene-  
19                   ficiary or their employer.

20                   “(C) REDUCTION IN MATCHING FUNDS.—  
21                   “(i) IN GENERAL.—For each applica-  
22                   ble taxable year, the dollar amount in sub-  
23                   paragraph (A)(ii)(I) shall be reduced (but  
24                   not below zero) by an amount equal to the  
25                   greater of—

1                         “(I) an amount which bears the  
2                         same ratio to such dollar amount as—

3                         “(aa) the amount (not less  
4                         than zero) equal to the adjusted  
5                         gross income of the taxpayer for  
6                         the applicable taxable year minus  
7                         \$72,000, bears to

8                         “(bb) \$10,000, or

9                         “(II) an amount which bears the  
10                         same ratio to such dollar amount as—

11                         “(aa) the amount (not less  
12                         than zero) equal to the earned in-  
13                         come (as described in section  
14                         32(c)(2)) of the designated bene-  
15                         ficiary for the applicable taxable  
16                         year minus \$72,000, bears to

17                         “(bb) \$10,000.

18                         “(ii) MARRIED INDIVIDUALS.—In the  
19                         case of a designated beneficiary who is  
20                         married (within the meaning of section  
21                         7703)—

22                         “(I) if such beneficiary has filed  
23                         a joint return for the applicable tax-  
24                         able year, each of the dollar amounts

9 For purposes of this subparagraph, the  
10 term ‘applicable taxable year’ means the  
11 taxable year in which the transfer de-  
12 scribed in subparagraph (A)(i) is made to  
13 the account of the designated beneficiary.

24                   “(D)     DISTRIBUTION     OF     MATCHING  
25                   FUND.—

1                             “(i) IN GENERAL.—Any distribution  
2                             under a Lifelong Learning and Training  
3                             Account program made from amounts  
4                             transferred pursuant to this paragraph  
5                             shall be made by the administrator—

6                             “(I) directly to the program de-  
7                             scribed in clauses (i) through (iii) of  
8                             subsection (e)(5)(A) which provides  
9                             training to the designated beneficiary,  
10                             or

11                             “(II) to reimburse the designated  
12                             beneficiary for any qualified training  
13                             expenditures incurred by such bene-  
14                             ficiary,

15                             provided that the beneficiary has provided  
16                             the administrator with such documentation  
17                             as is deemed necessary to ensure compli-  
18                             ance with clause (ii).

19                             “(ii) PROHIBITION.—No amounts  
20                             transferred pursuant to this paragraph to  
21                             any account of a designated beneficiary  
22                             under a Lifelong Learning and Training  
23                             Account program may be distributed for  
24                             any purpose other than for payment or re-

1                   imbursement of qualified training expendi-  
2                   tures.

3                   “(E) ADDITIONAL REDUCTION FOR NON-  
4                   QUALIFIED DISTRIBUTIONS.—For purposes of  
5                   any amount of a distribution under a Lifelong  
6                   Learning and Training Account program which  
7                   is includable in the gross income of the des-  
8                   ignated beneficiary, any available funds in the  
9                   account of such beneficiary which were trans-  
10                  ferred pursuant to this paragraph (and any  
11                  earnings thereon) shall also be reduced by such  
12                  amount.

13                  “(F) RESCISSION OF MATCHING FUNDS.—  
14                  On January 1 of the applicable calendar year,  
15                  any available funds in the account of such bene-  
16                  ficiary which were transferred pursuant to this  
17                  paragraph (and any earnings thereon) shall be  
18                  reduced to zero.

19                  “(5) INVESTMENT.—

20                  “(A) IN GENERAL.—Any contributions or  
21                  transfers to a Lifelong Learning and Training  
22                  Account program (and any earnings thereon)  
23                  shall be invested by the administrator in United  
24                  States Treasury securities with a maturity date  
25                  of not greater than 10 years.

1                     “(B) SECRETARIAL AUTHORITY.—The Sec-  
2                     retary may prescribe such regulations, rules, or  
3                     other guidance as may be necessary or appro-  
4                     priate for purposes of applying this paragraph.

5                     “(6) REQUIRED DISTRIBUTIONS.—On January  
6                     1 of the applicable calendar year, the total amount  
7                     of available funds in the account of the designated  
8                     beneficiary which were contributed by the designated  
9                     beneficiary or their employer (and any earnings  
10                    thereon) shall be distributed to such beneficiary.

11                    “(c) TAX TREATMENT.—

12                    “(1) IN GENERAL.—Except as otherwise pro-  
13                    vided in this subsection, no amount shall be includ-  
14                    ible in gross income of—

15                    “(A) a designated beneficiary under a Life-  
16                    long Learning and Training Account program,  
17                    or

18                    “(B) an employer of such beneficiary that  
19                    contributes to such program on behalf of such  
20                    beneficiary,

21                    with respect to any distribution or earnings under  
22                    such program.

23                    “(2) DISTRIBUTIONS.—

24                    “(A) IN GENERAL.—Any distribution  
25                    under a Lifelong Learning and Training Ac-

1           count program shall be includable in the gross  
2           income of the distributee in the manner as pro-  
3           vided under section 72 to the extent not ex-  
4           cluded from gross income under any other pro-  
5           vision of this chapter.

6           “(B) DISTRIBUTIONS FOR QUALIFIED  
7           TRAINING EXPENDITURES.—

8           “(i) IN GENERAL.—In the case of any  
9           distributions, if such distributions do not  
10           exceed the qualified training expenditures  
11           of the designated beneficiary, no amount  
12           shall be includable in gross income.

13           “(ii) COORDINATION WITH OTHER  
14           CREDITS AND DEDUCTIONS.—For purposes  
15           of determining the credit allowed under  
16           section 25A or the deduction allowed under  
17           section 222, no distribution under a Life-  
18           long Learning and Training Account pro-  
19           gram shall be included as qualified tuition  
20           and related expenses under such sections.

21           “(C) CHANGE IN BENEFICIARIES OR PRO-  
22           GRAMS.—

23           “(i) ROLLOVERS.—Subparagraph (A)  
24           shall not apply to that portion of any dis-

1 tribution which, within 60 days of such  
2 distribution, is transferred—

3 “(I) to another Lifelong Learn-  
4 ing and Training Account program  
5 for the benefit of the designated bene-  
6 ficiary, or

7 “(II) to the credit of another des-  
8 ignated beneficiary under a Lifelong  
9 Learning and Training Account pro-  
10 gram who is a member of the family  
11 of the designated beneficiary with re-  
12 spect to which the distribution was  
13 made.

14 “(ii) CHANGE IN DESIGNATED BENE-  
15 FICIARIES.—Any change in the designated  
16 beneficiary of an interest in a Lifelong  
17 Learning and Training Account program  
18 shall not be treated as a distribution for  
19 purposes of subparagraph (A) if the new  
20 beneficiary is a member of the family of  
21 the old beneficiary.

22 “(iii) LIMITATION ON CERTAIN ROLL-  
23 OVERS.—Clause (i)(I) shall not apply to  
24 any transfer if such transfer occurs within  
25 12 months from the date of a previous

1 transfer to any Lifelong Learning and  
2 Training Account program for the benefit  
3 of the designated beneficiary.

4 “(iv) MATCHING FUNDS FOR-  
5 FEITED.—In the case of any transfer de-  
6 scribed in clause (i)(II) or any change in  
7 the designated beneficiary of an interest in  
8 a Lifelong Learning and Training Account  
9 program (with the exception of any change  
10 due to the death of the old beneficiary),  
11 any amounts transferred to the account of  
12 the designated beneficiary under subsection  
13 (b)(4), and any earnings thereon, shall be  
14 reduced (but not below zero) by an amount  
15 equal to the total amount transferred to  
16 any account of any other beneficiary.

17 “(D) SPECIAL RULE FOR CONTRIBUTIONS  
18 OF REFUNDED AMOUNTS.—In the case of a  
19 beneficiary who receives a refund of any qual-  
20 ified training expenditures from any program  
21 described in clauses (i) through (iii) of sub-  
22 section (e)(5)(A), subparagraph (A) shall not  
23 apply to that portion of any distribution for the  
24 taxable year which is recontributed to a Life-  
25 long Learning and Training Account program

1           of which such individual is a beneficiary, but  
2           only to the extent such recontribution is made  
3           not later than 60 days after the date of such  
4           refund and does not exceed the refunded  
5           amount.

6           “(3) ESTATE TAX TREATMENT.—

7           “(A) IN GENERAL.—No amount shall be  
8           includible in the gross estate of any individual  
9           for purposes of chapter 11 by reason of an in-  
10           terest in a Lifelong Learning and Training Ac-  
11           count program.

12           “(B) AMOUNTS INCLUDIBLE IN ESTATE OF  
13           DESIGNATED      BENEFICIARY      IN      CERTAIN  
14           CASES.—Subparagraph (A) shall not apply to  
15           amounts distributed on account of the death of  
16           a beneficiary.

17           “(4) OTHER GIFT TAX RULES.—For purposes  
18           of chapters 12 and 13—

19           “(A) TREATMENT OF DISTRIBUTIONS.—  
20           Except as provided in subparagraph (B), in no  
21           event shall a distribution from a Lifelong  
22           Learning and Training Account program be  
23           treated as a taxable gift.

24           “(B) TREATMENT OF DESIGNATION OF  
25           NEW BENEFICIARY.—The taxes imposed by

1           chapters 12 and 13 shall apply to a transfer by  
2           reason of a change in the designated beneficiary  
3           under the program (or a rollover to the account  
4           of a new beneficiary) unless the new beneficiary  
5           is—

6                   “(i) assigned to the same generation  
7                   as (or a higher generation than) the old  
8                   beneficiary (determined in accordance with  
9                   section 2651), and

10                  “(ii) a member of the family of the  
11                  old beneficiary.

12                  “(5) ADDITIONAL TAX.—The tax imposed by  
13                  section 530(d)(4) shall apply to any payment or dis-  
14                  tribution from a Lifelong Learning and Training Ac-  
15                  count program in the same manner as such tax ap-  
16                  plies to a payment or distribution from a Coverdell  
17                  education savings account.

18                  “(d) REPORTS.—Each officer or employee having  
19                  control of the Lifelong Learning and Training Account  
20                  program or their designee shall make such reports regard-  
21                  ing such program to the Secretary and to designated bene-  
22                  ficiaries with respect to contributions, transfers, distribu-  
23                  tions, and such other matters as the Secretary may re-  
24                  quire. The reports required by this subsection shall be filed  
25                  at such time and in such manner and furnished to such

1 individuals at such time and in such manner as may be  
2 required by the Secretary.

3       “(e) OTHER DEFINITIONS AND SPECIAL RULES.—

4 For purposes of this section—

5           “(1) ADMINISTRATOR.—The term ‘adminis-  
6 trator’ means the entity which established the Life-  
7 long Learning and Training Account program and  
8 maintains such program, as described in subsection  
9 (b)(1).

10          “(2) APPLICABLE CALENDAR YEAR.—The term  
11 ‘applicable calendar year’ means the calendar year  
12 beginning after the date on which a designated bene-  
13 ficiary attained 60 years of age.

14          “(3) DESIGNATED BENEFICIARY.—The term  
15 ‘designated beneficiary’ means—

16           “(A) the individual designated at the com-  
17 mencement of participation in the Lifelong  
18 Learning and Training Account program as the  
19 beneficiary of amounts paid (or to be paid) to  
20 the program, or

21           “(B) in the case of a change in bene-  
22 ficiaries described in subsection (c)(2)(C), the  
23 individual who is the new beneficiary.

24          “(4) MEMBER OF FAMILY.—The term ‘member  
25 of the family’ means an individual—

1               “(A) who has attained 25 years of age,

2               and

3               “(B) who is, with respect to any des-  
4               gnated beneficiary—

5               “(i) the spouse of such beneficiary,

6               “(ii) an individual who bears a rela-  
7               tionship to such beneficiary which is de-  
8               scribed in subparagraphs (A) through (G)  
9               of section 152(d)(2),

10               “(iii) the spouse of any individual de-  
11               scribed in clause (ii), or

12               “(iv) any first cousin of such bene-  
13               ficiary.

14               “(5) QUALIFIED TRAINING EXPENDITURES.—

15               “(A) IN GENERAL.—The term ‘qualified  
16               training expenditures’ means any expenditures  
17               for training which results in the attainment of  
18               a recognized postsecondary credential and  
19               which is provided through—

20               “(i) a program of training services  
21               which is listed under section 122(d) of the  
22               Workforce Innovation and Opportunity Act  
23               (29 U.S.C. 3152(d)),

24               “(ii) a program which is conducted by  
25               an area career and technical education

1 school, a community college, or a labor or-  
2 ganization, or

3 “(iii) a program which is sponsored  
4 and administered by an industry trade as-  
5 sociation, industry or sector partnership,  
6 or labor organization.

7 “(B) RELATED DEFINITIONS.—For pur-  
8 poses of subparagraph (A)—

9 “(i) AREA CAREER AND TECHNICAL  
10 EDUCATION SCHOOL.—The term ‘area ca-  
11 reer and technical education school’ means  
12 such a school, as defined in section 3 of  
13 the Carl D. Perkins Career and Technical  
14 Education Act of 2006 (20 U.S.C. 2302),  
15 which participates in a program under that  
16 Act (20 U.S.C. 2301 et seq.).

17 “(ii) COMMUNITY COLLEGE.—The  
18 term ‘community college’ means an institu-  
19 tion which—

20 “(I) is a junior or community col-  
21 lege as defined in section 312(f) of the  
22 Higher Education Act of 1965 (20  
23 U.S.C. 1058(f)), except that the insti-  
24 tution need not meet the requirements  
25 of paragraph (1) of that section; and

1                             “(II) participates in a program  
2                             under title IV of that Act (20 U.S.C.  
3                             1070 et seq.).

4                             “(iii) INDUSTRY OR SECTOR PARTNER-  
5                             SHIP.—The term ‘industry or sector part-  
6                             nership’ has the meaning given such term  
7                             under section 3 of the Workforce Innova-  
8                             tion and Opportunity Act (29 U.S.C.  
9                             3102).

10                           “(iv) INDUSTRY TRADE ASSOCIA-  
11                             TION.—The term ‘industry trade associa-  
12                             tion’ means an organization which—

13                             “(I) is described in paragraph (3)  
14                             or (6) of section 501(c) and exempt  
15                             from taxation under section 501(a);  
16                             and

17                             “(II) is representing an industry.

18                             “(v) LABOR ORGANIZATION.—The  
19                             term ‘labor organization’ means a labor or-  
20                             ganization, within the meaning of the term  
21                             in section 501(c)(5).

22                             “(vi) RECOGNIZED POSTSECONDARY  
23                             CREDENTIAL.—The term ‘recognized post-  
24                             secondary credential’ means a credential  
25                             consisting of an industry-recognized certifi-

5                             “(C) EXCLUSION.—The term ‘qualified  
6 training expenditures’ shall not include any  
7 amounts paid for meals, lodging, transpor-  
8 tation, or other services incidental to any train-  
9 ing described in subparagraph (A).

“(6) APPLICATION OF SECTION 514.—An interest in a Lifelong Learning and Training Account program shall not be treated as debt for purposes of section 514.

14            "(f) PUBLIC AWARENESS.—

15               “(1) IN GENERAL.—The Secretary shall con-  
16               duct a public information campaign, utilizing paid  
17               advertising, to inform the public of the availability of  
18               Lifelong Learning and Training Account programs.

19                   “(2) AUTHORIZATION OF APPROPRIATIONS.—

20                   “(A) IN GENERAL.—There is authorized to  
21                   be appropriated such sums as are necessary to  
22                   carry out this subsection.

1           this subsection shall remain available, without  
2           fiscal year limitation, until expended.

3        “(g) REGULATIONS.—Notwithstanding any other  
4 provision of this section, the Secretary shall prescribe such  
5 regulations as may be necessary or appropriate to carry  
6 out the purposes of this section and to prevent abuse of  
7 such purposes, including regulations under chapters 11,  
8 12, and 13 of this title.”.

9        (b) CONFORMING AMENDMENTS.—

10           (1) Section 135(d)(2)(B) of the Internal Rev-  
11 enue Code of 1986 is amended by striking “sections  
12 529(c)(3)(B) and 530(d)(2)” and inserting “sections  
13 529(c)(3)(B), 530(d)(2), and 531(c)(2)(B)”.

14           (2) The table of sections for part VIII of sub-  
15 chapter F of chapter 1 of the Internal Revenue Code  
16 of 1986 is amended by inserting after the item relat-  
17 ing to section 530 the following new item:

“Sec. 531. Lifelong Learning and Training Account programs.”.

18        (c) ADMINISTRATION ASSISTANCE.—

19           (1) IN GENERAL.—The Secretary of the Treas-  
20 ury, or the Secretary’s delegate (referred to in this  
21 paragraph as the “Secretary”), shall make a grant,  
22 in such amount as the Secretary determines appro-  
23 priate, to each State or agency or instrumentality  
24 thereof that has established and maintains a Life-  
25 long Learning and Training Account program under

1       section 531 of the Internal Revenue Code of 1986  
2       (as added by subsection (a)), for purposes of admin-  
3       istering such program.

4                   (2) AUTHORIZATION OF APPROPRIATIONS.—  
5       There are authorized to be appropriated such sums  
6       as may be necessary to carry out the purposes of  
7       this subsection.

8                   (d) EFFECTIVE DATE.—The amendments made by  
9       this section shall apply to taxable years beginning after  
10      the date of the enactment of this Act.

○